

CARL J. KUNASEK  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
WILLIAM A. MUNDELL  
COMMISSIONER



0000000103

ARIZONA CORPORATION COMMISSION

DATE: May 3, 2000

DOCKET NO.: T-03792A-99-0589

TO ALL PARTIES:

Enclosed please find the recommendation of Hearing Officer Alicia Grantham. The recommendation has been filed in the form of an Order on:

PT-1 LONG DISTANCE, INC.  
(CC&N/RESELLER)

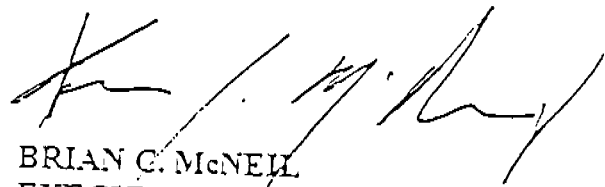
Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Hearing Officer by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

MAY 12, 2000

The enclosed is NOT an order of the Commission, but a recommendation of the Hearing Officer to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

JUNE 6, 2000 AND JUNE 7, 2000

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250.

  
BRIAN C. McNEILL  
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 CARL J. KUNASEK  
CHAIRMAN

3 JIM IRVIN  
COMMISSIONER

4 WILLIAM A. MUNDELL  
COMMISSIONER

5  
6 IN THE MATTER OF THE APPLICATION OF PT-  
1 LONG DISTANCE, INC. FOR A CERTIFICATE  
7 OF CONVENIENCE AND NECESSITY TO  
8 PROVIDE COMPETITIVE INTRASTATE  
TELECOMMUNICATIONS SERVICES AS A  
9 RESELLER EXCEPT LOCAL EXCHANGE  
SERVICES

DOCKET NO. T-03792A-99-0589

DECISION NO. \_\_\_\_\_

**ORDER**

10 Open Meeting  
June 6 and 7, 2000  
11 Phoenix, Arizona

12 **BY THE COMMISSION:**

13 Having considered the entire record herein and being fully advised in the premises, the  
14 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

15 **FINDINGS OF FACT**

16 1. On October 19, 1999, PT-1 Long Distance, Inc. ("PT-1" or "Applicant") filed with  
17 Docket Control of the Arizona Corporation Commission ("Commission") an application for a  
18 Certificate of Convenience and Necessity ("Certificate") to provide competitive intrastate  
19 telecommunications services, except local exchange services, as a reseller within the State of  
20 Arizona.

21 2. In Decision No. 58926 (December 22, 1994), the Commission found that resold  
22 telecommunications providers ("resellers") were public service corporations subject to the  
23 jurisdiction of the Commission.

24 3. In Decision No. 59124 (June 23, 1995), the Commission adopted A.A.C. R14-2-1101  
25 through R14-2-1115 to regulate resellers.

26 4. Applicant is a Delaware corporation, authorized to do business in Arizona since 1999.

27 5. Applicant is a switchless reseller, which purchases telecommunications services from  
28 various providers.

1           6.     On April 24, 2000, the Commissions Utilities Division Staff ("Staff") filed its Staff  
2 Report. On May 1, 2000, Staff filed an amended Staff Report.

3           7.     In the amended Staff Report, Staff stated that the Applicant provided its financial  
4 statements for the year ending December 31, 1999. These financial statements indicated total assets  
5 of \$134.86 million, negative shareholders' equity of (\$31.38 million), and negative retained earnings  
6 of (\$26.72 million). The Applicant had a negative net income of (\$5.33 million) on revenues of  
7 \$465.73 million. Based on the foregoing, Staff believes that Applicant lacks adequate financial  
8 resources. In its application, Applicant stated that it does not currently, and will not in the future,  
9 charge its customers for any prepayments, advances or deposits. If at some future date, the applicant  
10 wants to charge customers any prepayments, advances, or deposits, it must file information with the  
11 Commission that demonstrates the Applicant's financial viability. Staff believes that if the Applicant  
12 experiences financial difficulty, there should be minimal impact to its customers. Customers are able  
13 to dial another reseller or facilities-based provider to switch to another company.

14           8.     The Staff Report stated that Applicant has no market power and the reasonableness of  
15 its rates would be evaluated in a market with numerous competitors.

16           9.     Staff recommended that:

17               (a)   Applicant's application for a Certificate should be approved without a hearing  
18 pursuant to A.A.C. R14-2-1106B;

19               (b)   Applicant's intrastate toll service offerings should be classified as competitive  
20 pursuant to A.A.C. R14-2-1108;

21               (c)   Applicant's competitive services should be priced at the effective rates set  
22 forth in Applicant's tariffs and the maximum rates for these services should be the  
23 maximum rates proposed by Applicant in its tariffs. The minimum rates for  
applicant's competitive services should be Applicant's long run incremental costs of  
providing those services as set forth in A.A.C. R14-2-1109; and

24               (d)   Applicant should be required to comply with the Commission's rules and  
25 modify its tariffs to conform with the rules if it is determined there is a conflict  
between Applicant's tariffs and the Commission's rules.

26           10.    By Procedural Order dated April 28, 2000, the Commission set a deadline of May 15,  
27 2000, for filing exceptions to the Staff Report; requesting that a hearing be set; or requesting  
28

1 intervention as interested parties.

2 11. On April 18, 2000, the Applicant filed affidavits indicating that it published notice of  
3 its filing in all counties where service is to be provided pursuant to A.A.C. R14-2-1104.

4 12. No exceptions were filed to the Staff Report, nor did any party request that a hearing  
5 be set.

### 6 CONCLUSIONS OF LAW

7 1. Applicant is a public service corporation within the meaning of Article XV of the  
8 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

9 2. The Commission has jurisdiction over Applicant and the subject matter of the  
10 application.

11 3. Notice of the application was given in accordance with the law.

12 4. Applicant's provision of resold intrastate telecommunications services is in the public  
13 interest.

14 5. Applicant is a fit and proper entity to receive a Certificate for providing competitive  
15 intrastate telecommunications services as a reseller in Arizona.

16 6. Staff's recommendations in Findings of Fact No. 9 are reasonable and should be  
17 adopted.

### 18 ORDER

19 IT IS THEREFORE ORDERED that the Application of PT-1 Long Distance, Inc. for a  
20 Certificate of Convenience and Necessity for authority to provide competitive intrastate  
21 telecommunications services, except local exchange services, shall be, and the same is hereby  
22 granted, except that PT-1 Long Distance, Inc. shall not be authorized to charge customers any  
23 prepayments, advances, or deposits. In the future, if PT-1 Long Distance, Inc. desires to initiate such  
24 charges, including but not limited to prepaid calling cards, it must file information with the  
25 Commission that demonstrates the Company's financial viability or establish an escrow account  
26 equal to the amount of any prepayments, advances or deposits. Staff shall review the information  
27 provided and file its recommendation concerning financial viability within thirty (30) days of receipt  
28 of the financial information, for Commission approval.

1 IT IS FURTHER ORDERED that PT-1 Long Distance, Inc. shall comply with the Staff  
2 recommendations set forth in Findings of Fact No. 9.

3 IT IS FURTHER ORDERED that PT-1 Long Distance, Inc. shall file a complete set of tariffs  
4 within 30 days from the effective date of this Decision.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

7  
8  
9 CHAIRMAN

COMMISSIONER

COMMISSIONER

10  
11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
12 Secretary of the Arizona Corporation Commission, have  
13 hereunto set my hand and caused the official seal of the  
14 Commission to be affixed at the Capitol, in the City of  
15 Phoenix, this \_\_\_\_ day of \_\_\_\_\_, 2000.

16 \_\_\_\_\_  
17 BRIAN C. McNEIL  
18 EXECUTIVE SECRETARY

19 DISSENT: \_\_\_\_\_  
20 AG:bbs  
21  
22  
23  
24  
25  
26  
27  
28

1 SERVICE LIST FOR:

PT-1 LONG DISTANCE, INC.

2  
3 DOCKET NO.:

T-03792A-99-0589

4 John Klusaritz  
PT-1 LONG DISTANCE, INC.  
30-50 Whitestone Expressway  
5 Whitestone, NY 11354

6 Todd Lowe  
7 Visiology, Inc.  
16061 Carmel Bay Dr.  
8 Northport, AL 35475

9 Lyn Farmer, Chief Counsel  
Legal Division  
10 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
11 Phoenix, AZ 85007

12 Deborah Scott, Director  
Utilities Division  
13 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
14 Phoenix, AZ 85007